

CITIES AND TOWNS BULLETIN

AND UNIFORM COMPLIANCE GUIDELINES
ISSUED BY STATE BOARD OF ACCOUNTS

December 2007

YEAR END DUTIES

The following is a listing of duties and reports that occur each year end. Some of the articles have been published in this issue.

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CANCELLATION OF WARRANTS – OLD OUTSTANDING CHECKS

Pursuant to IC 5-11-10.5, all checks outstanding and unpaid for a period of two years as of December 31 of each year shall be declared cancelled.

Not later than March 1 of each year, the treasurer shall prepare or cause to be prepared a list in duplicate of all checks outstanding for two or more years as of December 31 last preceding. The original copy shall be filed with the city or town council and the duplicate copy maintained by the clerk-treasurer of the city or town. The clerk-treasurer shall enter the amounts so listed as a receipt to the fund or funds upon which they were originally drawn and remove the checks from the list of outstanding checks. If the fund from which the check was originally drawn is not in existence or cannot be ascertained, the amount of the outstanding check shall be receipted into general fund of the political subdivision.

NEW FEDERAL MILEAGE RATE

It is our understanding that effective January 1, 2008, the Federal mileage rate will increase from 48 ½ cents to 50 ½ center per mile. The State rate for mileage is 40 cents per mile.

SOCIAL SECURITY TAX BASE CHANGES JANUARY 1

The 2008 contribution rate will remain at a total of 15.3 percent. The tax rate for both employees and employer for 2008 will be 7.65 percent. (6.2% Social Security and 1.45% Medicare)

We further understand that the maximum amount of earnings that will be subject to Social Security contributions will be raised from \$97,500 to \$102,000 effective January 1, 1998.

Please contact the Internal Revenue Service at 1-800-829-1040 if you should have questions on this matter.

ENCUMBERED APPROPRIATIONS – BALANCE AVAILABLE

With the opening of a new budget year and a new set of ledgers, it is to the advantage of a municipality to review the unpaid purchase orders and contracts which remain on the ledgers as "encumbered."

Those items under contract are to be added for each appropriation account and the total carried to the new 2008 corresponding account. The actual unpaid amount of the purchase orders or contracts should be totaled and shown as a separate amount on the appropriation ledger sheet for 2008, with proper explanation, and added to the 2008 appropriation for the same purpose. By properly carrying out this procedure, the 2008 budget will not be expected to stand any expense not anticipated in making the budget.

We suggest the proper officials of the city or town make a listing of these encumbered items and make it part of their minutes in their last business meeting of the year. The Department of Local Government Finance should be sent a copy of the listing.

Keep in mind the appropriations encumbered and carried forward can be used for no other purpose other than the purchase order or the contract for which they were appropriated.

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DORMANT FUND BALANCES - TRANSFERS AUTHORIZED

IC 36-1-8-5 gives city and town councils authority to order the transfer of any unused and unencumbered balance in any fund raised by a general or special tax levy, the purposes of which have been fulfilled, to the general fund or rainy day fund. This action may be taken by a city or town council at any public meeting.

IC 36-1-8-5 states in part:

- “(a) This section applies to all funds raised by a general or special tax levy on all the taxable property of a political subdivision.
- (b) Whenever the purposes of a tax levy have been fulfilled and an unused and unencumbered balance remains in the fund, the fiscal body of the political subdivision shall order the balance of that fund to be transferred as follows, unless a statute provides that it be transferred otherwise.....(2) Funds of a municipality, to the general fund or rainy day fund of the municipality.”

ANNUAL OPERATIONAL REPORT - LOCAL ROAD AND STREET OPERATIONS

Indiana Code 8-17-4.1 requires an operational report shall be prepared by all cities and towns having a population of 20,000 or more with road and street responsibilities. The report shall list all receipts and disbursements related to the municipality's road and street system made from any of the municipal funds.

A copy shall be filed with the State Board of Accounts, the governing body of the municipality, LTAP, and the Planning Division of the State Department of Transportation by June 1 of the year next following the operational report year. The report shall also be made available to the public and press.

The annual operational report shall be prepared and filed on City and Town Form No. 225. A copy of the report will be furnished to all affected city and town offices by the State Board of Accounts in January.

FIRE PROTECTION CONTRACTS WITH VOLUNTEER FIRE COMPANIES

IC 36-8-12-3 authorizes cities and towns to enter into agreements with one or more volunteer fire companies that maintain adequate firefighting service for the use and operation of firefighting apparatus and equipment owned by the volunteer fire company, including the service of operators of the apparatus and equipment.

IC 36-8-12-4 states the contract must provide an amount determined by negotiation between the municipality and volunteer fire company. The consideration must include the amounts the unit is required to pay under IC 36-8-12 for insurance premiums and clothing, automobile, and other allowances.

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FIRE PROTECTION CONTRACTS WITH VOLUNTEER FIRE COMPANIES – (Continued)

If the contractual agreement is properly drawn, an added benefit gained is the elimination of the problem of the governmental unit reporting clothing and auto allowances to the internal Revenue Service and the Indiana Department of Revenue. Since the contractual payments are lump sum to the volunteer fire company, the volunteer fire company assumes the responsibility for making the payments of allowances to the volunteer firefighters and for reporting of such payments.

Year end is a good time to review existing contracts for fire protection. If renewals or changes in contracts are necessary, such renewals or changes should be made under the guidance of the city or town attorney. All agreements for fire protection should be in writing and the agreements must be preserved as any other public documents. There is no statutory authority to make contractual payments to volunteer fire companies unless an agreement has been entered into.

CITY CLERKS, CITY AND TOWN CLERK-TREASURERS-APPOINTMENT OF OFFICE PERSONNEL

IC 36-4-11-4, (City Clerks), IC 36-4-10-7, (City Clerk-Treasurers) and IC 36-5-6-7 (Town Clerk-Treasurers) authorize the Clerk or Clerk-Treasurer to appoint the number of deputies and employees needed for the effective operation of the office with the approval of the city or town council. This would require an independent action by the council, either by resolution or ordinance.

After the city or town council has authorized the number of deputies or employees, the clerk or clerk-treasurer may then make such appointments and fix the effective date thereof. The statutes further provide the deputies and employees appointed serve at the pleasure of the clerk or clerk-treasurer.

CLERK-TREASURER-APPOINTMENT OF UTILITY BILLING AND COLLECTION PERSONNEL

IC 36-4-10-7 and IC 36-5-6-7 state that if a city or town owns a utility and the clerk-treasurer is directly responsible for the billing and collection of that utility's rates and charges, the clerk-treasurer shall appoint those employees who are also responsible for that billing and collection. These employees serve at the clerk-treasurer's pleasure.

If the utility's governing body has taken the utility bookkeeping functions (billing, collecting, etc.) from the clerk-treasurer, we feel the clerk-treasurer becomes responsible only once the funds come into his/her hands. Prior to that, utility employees are held responsible.

CITY CONTROLLER – APPOINTMENT OF DEPUTY

IC 36-4-11-5 states: "The city legislative body may, by ordinance, authorize the city fiscal officer to appoint a deputy. The fiscal officer is responsible for the official acts of his deputy." This statute refers to city controllers in second class cities only.

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REPORT OF NAMES, ADDRESSES, DEPUTIES AND COMPENSATION OF PUBLIC EMPLOYEES

All cities and towns must file with the State Examiner, State Board of Accounts, 302 West Washington St., Room E418, Indianapolis, Indiana, 46204, on or before January 31, Form 100-R, a certified Report of Names, Addresses, Duties and Compensation of Public Employees. This report is required by IC 5-11-13. A supply of this form must be secured from your public printer. The State Board of Accounts does not supply this form. If a computer printout can supply all of the required information, it can be substituted in place of Form 100-R as long as it contains the certificate section on the last page of the form. Only the business address of each officer or employee listed is to be included on the form.

YEAR END DUTIES – OUTGOING OFFICIALS

Outgoing city controllers and city and town clerk-treasurers should completely post and balance their records before turning them over to their successors on January 1, 2008.

If there are any securities and undeposited cash in the office on December 31, they should be inventoried and/or counted and the new controller or clerk-treasurer should sign a receipt in triplicate to be attested by the outgoing officer. One copy should be mailed to the State Board of Accounts with the outgoing controller or clerk-treasurer and his successors each receiving a copy. Any cash change fund should be returned to the fund from which it was advanced on or before December 31. In the event one of the officers is not available, we suggest a disinterested third party be invited to witness the inventory or cash count and this individual should attest to the receipt.

We also suggest the outgoing officer prepare in triplicate an itemized inventory of equipment in the office at December 31 to be signed by the successor and attested to by the outgoing controller or clerk-treasurer. Disposition of copies should be the same as outlined in the preceding paragraph.

As a matter of good business practice, the outgoing controller or clerk-treasurer should prepare and give to the new officer a list of reports that must be filed in January and February of the new year. The outgoing official should offer his/her assistance in preparing such reports and in reconciling the depository accounts for the end of the year.

Among the reports that may be required to be filed by your unit are: Withholding Tax, Social Security, Public Employees' Retirement Fund Contributions, Utility Receipts Tax, Sales Tax, Annual Report, Utility Report to Utility Regulatory Commission, Annual Report to the Common Council, Annual Operational Report of the Motor Vehicle Highway Fund, Report of Names, Addresses, Duties, and Compensation of Public Employees, Accounts Receivable and Accounts Payable at December 31, and Capital Assets at December 31.

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PUBLIC RECORDS – RETENTION SCHEDULES

The State's Oversight Committee on Public Records approved retention schedules for city and town financial records. The schedules list prescribed forms and the length of time each form is required to be kept. There is a separate retention schedule for all cities and all towns above 5,000 population and one for all towns below 5,000 population. Copies of the retention schedules are in the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns.

Records may be destroyed in accordance with the schedules and without permission of the local County Commission on Public Records. However, cities and towns must submit documentation of such destruction to the County Commission and the State Archives.

NEW HIRE REPORTING REQUIREMENTS

The following is an excerpt from information provided on the Indiana Department of Workforce Development's website which can be found at www.in-newhire.com.

Within twenty business days of a new employee's date of hire, rehire, or recall, all employers are to submit to the Indiana Department of Workforce Development (department) a report containing the following information:

- a. the new employee's full name, address, and social security number;
- b. the employer's name, address, and federal tax identification number; and
- c. the employee's start date.

ELECTRONIC REPORTING

Create your own Electronic New Hire Reports. For Online Reporting, use the Web site to report your new hires.

For New Hire Data Entry Software use the software downloaded from this Web site. Employers can simply fill in employee information and then electronically send in their new hire reports using their own communications software. The file can also be copied to a diskette and then mailed to the New Hire Reporting Center.

NON-ELECTRONIC REPORTING

If your software is unable to export your new hire information in an electronic format, you might be able to have your software create a printed list containing your new hire data.

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NEW HIRE REPORTING REQUIREMENTS – (Continued)

NON-ELECTRONIC REPORTING – (Continued)

The printed list should contain all of the required information on the New Hire Reporting Form and be created using at least a 10-point font size, and have the employer's name, Federal Employer Identification Number, and address clearly displayed at the top of the report.

You may download, print, fill out, and fax or mail us a New Hire Reporting Form.

If you choose to submit a W-4 form as a new hire report, please ensure that each W-4 is easily readable and has the employer's name, Federal Employer Identification Number, and address written at the top of each form.

OTHER REPORTING METHODS

If you use a payroll or accounting service, consider asking the service to report your new hires for you. Leading payroll services are already electronically reporting new hires for thousands of employers.

WHERE DO I REPORT NEW HIRES?

Electronic Reports – Using our Web site's online reporting feature is a very popular choice for employers. This feature provides a printable confirmation of reports received and is available 24 hours a day, 7 days a week.

Employers can send new hire data files in a variety of ways, including transferring files through this Web site, electronic transfer via modem (EFT), or by mailing reports to us on diskette.

Non-Electronic Reports – New hire reports may either be faxed or mailed to the Center.

Mail reports to:

Indiana New Hire Reporting Center
P.O. Box 55097
Indianapolis, Indiana 46205-5097

FAX reports to:

(317) 612-3036
Toll-Free: (800) 408-1388

Please call the Indiana New Hire Reporting Center at (317) 612-3028, or toll-free at (866) 879-0198 for any questions regarding the new hire reporting process. Our telephone system can help you 24 hours a day, seven days a week. Help desk staff are available to answer your questions Monday through Friday from 8:00 AM to 5:00 PM.

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LEASE-PURCHASE AGREEMENTS

In purchasing equipment from budgeted funds, the purchasing agent for a city or town has the right to enter into a rental with option to purchase agreement if the rental charge is fair and reasonable.

Before such an agreement can be legally entered into, there must be a sufficient appropriation balance available for payment of the current year's rental charge. This agreement should not obligate the city or town for payment of rental beyond the current year's appropriation. Provision may be made in the agreement for renewal for succeeding years by rental payments subject to appropriations being available therefore.

If the original gross cost of the equipment (without consideration of any trade-in) exceeds one hundred fifty thousand dollars (\$150,000) the purchasing agent must advertise for bids and award a contract with reasonable promptness by written notice to the lowest responsible and responsive bidder in compliance with the Public Purchases Law (IC 5-22).

If the original gross cost of the equipment (without consideration of any trade-in) is at least fifty thousand dollars (\$50,000) and not more than one hundred fifty thousand dollars (\$150,000), the purchasing agent must invite quotes from at least three (3) persons known to deal in the equipment to be purchased under a lease with option to purchase agreement.

Only by awarding a contract pursuant to IC 5-22 would the city or town have authority to purchase the equipment at a later date. A lease-purchase agreement will often contain an option to purchase at the end of the lease term for nominal consideration or no additional consideration.

The specifications for the equipment must be recognized standard specifications to allow competitive bidding and should provide for the bidder to quote the total purchase cost, the rental charge to be made, and the percentage of the amount of the rental charge that will be credited toward the purchase cost should the city or town exercise the option to purchase. Any interest or carrying charges must be made a part of the original bid price without specific reference made thereto.

Compliance with the above requirements will allow the purchasing agency to exercise the option to purchase at any time a sufficient appropriation for the equipment is available.

Remember, as mentioned above, whether or not the equipment should be bid is based on the original cost of the equipment and is not based on cost less trade-in or on the annual lease rental payment amount.

CHILD SUPPORT WITHHOLDINGS

IC 31-16-15-16 requires employers that employ more than fifty (50) employees and that withhold child support from more than one (1) obligor to make payments to the State Central Collection Unit through electronic funds transfer or through electronic or internet access made available by the state central collection unit. All questions should be directed to Family and Social Services, Division of Family and Children, Indiana Child Support Bureau, at (317) 232-0327 or 1-800-292-0403 or email at EMU@dcsl.in.gov.

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APPROPRIATION ORDINANCES – FAILURE TO PASS

IC 36-4-7-11 (for cities) and IC 6-1.1-17-5 (for towns) provide that if the council does not fix the budget tax rates and tax levy before October 1 of each year, the most recent appropriations and annual tax levy are continued for the ensuing budget year.

OFFICIALS' RESPONSIBILITY FOR DISBURSING PUBLIC FUNDS

One of the most common inquiries received by the department concerns the obligation of a controller or clerk-treasurer in the matter of drawing a warrant for claims approved. Usually after an official becomes apprehensive of a payment already made, we are asked if he or she is compelled to pay every claim approved by the council or proper board.

We would like to stress that a disbursing officer is not obligated to pay any claim which, in his/her judgment should not be paid. Prejudice or personal feelings are not sufficient reasons for withholding payment. The correctness and legality of a claim should be your guide in disbursing public funds. The official surety bond requires that you make a faithful accounting. The bonded official should proceed with caution in every instance and, if needed, should seek the advice of the city or town attorney. See IC 36-4-8-4 – Cities; IC 36-5-4-2,3,4,6 – Towns; and IC 5-11-10 – All Disbursing Officers.

CONTRACTS FOR COLLECTION OR DISPOSAL OF SOLID WASTE

A city or town may:

- (1) Contract with persons for the collection or disposal of solid waste. The contract may provide that persons contracted with have the exclusive right to collect or dispose of solid waste under IC 36-9-30-4.
- (2) Contract with any business or institution for the collection and disposal of industrial, commercial, or institutional solid waste. All fees collected by the city or town shall be deposited in the treasury of the city or town for the administration, operation, and maintenance of the solid waste collection and disposal project.
- (3) Contract for the use of privately owned solid waste disposal facilities.

If a contract executed under (1) or (2) will yield a gross revenue to a contractor (other than a governmental entity) of at least twenty-five thousand dollars (\$25,000) during the time it is in effect, then the city or town must comply with IC 36-1-12-4 in awarding the contract. The city or town shall require the bidder to submit a financial statement, a statement of experience, the bidder's proposed plan or plans for performing the contract, and the equipment that the bidder has available for the performance of the contract. The statement shall be submitted on forms prescribed by the State Board of Accounts. However, the requirements in IC 36-1-12-4(b)(6) do not apply. A city or town may contract with private persons that operate facilities that combine significant elements of recycling or production of refuse derived fuel. [IC 36-9-30-5]

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USE OF MOTOR VEHICLE HIGHWAY FUNDS FOR LAW ENFORCEMENT PURPOSES

IC 8-14-1-5 allows cities and towns to use a portion of motor vehicle highway funds for law enforcement purposes, subject to the following limitations:

- (1) For cities and towns with a population of 5,000 or more, no more than 10% of the amounts distributed may be spent for law enforcement purposes.
- (2) For cities and towns with a population of less than 5,000, no more than 15% of the amounts distributed may be spent for law enforcement purposes.

INDEX TO BULLETINS

Enclosed with this issue is an index to the following issues of the Cities and Towns Bulletin:

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2003 – March, June, September, December
2004 – March, June, September, December
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2006 – March, June, September, December
2007 – March, June, September, December

The articles appearing in the year 1997 and prior issues have been revised and reprinted in later issues. Also, articles revised in later issues that are obsolete have been omitted from the index. Please discard all issues prior to March 1998.

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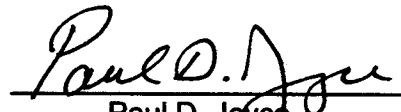
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HAPPY HOLIDAYS

We would like to take this opportunity to look back on the many warm associations that we have been blessed with. The outstanding cooperation and help that we are extended by city and town officials is truly appreciated.

From each of us and our staff to each of you and your staff, we send our best wishes for the holidays and our sincere wishes for a prosperous and happy New Year.


Bruce Hartman
State Examiner
Mike Bozynski
Deputy State Examiner
Paul D. Joyce
Deputy State Examiner